

**Annual Evaluation of the  
Hawaii Unemployment Compensation Fund**

State of Hawaii  
Department of Labor & Industrial Relations

December 2006

STATE OF HAWAII  
Linda Lingle, Governor

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS  
Nelson B. Befitel, Director  
Colleen Y. LaClair, Deputy Director

RESEARCH AND STATISTICS OFFICE  
Naomi Harada, Chief

Operations Management Information Staff  
Dayle Kobashigawa, Research Statistician  
830 Punchbowl Street, Room 304  
Honolulu, HI 96813  
(808) 586-9005

In cooperation with:  
UNEMPLOYMENT INSURANCE DIVISION  
Linda Y. Uesato, Administrator

December 2006

# TABLE OF CONTENTS

	Page
<b>Executive Summary</b> .....	1
<b>Background Information</b> .....	3
• Purpose of Report	
• Fund Definition and Requirements	
<b>Status of the Unemployment Compensation Fund</b> .....	4
• Status of the Fund	
• Fund Solvency	
• Tax Rates	
• Taxable Wage Base	
<b>Economic Factors</b> .....	6
• General Conditions and Outlook	
• Labor Force Data	
• Insured Unemployment and Employment Covered by the UC Fund	
• Weekly Benefit Amounts and Average Duration	
<b>Experience Rating</b> .....	10
• Description	
• Charged and Noncharged Benefits	
• 2005 Employer Data	
<b>Appendixes</b>	
A   Computation of Employer Contribution Rates .....	A-1
B   Annual Data from 1970	
• Labor Force Data .....	A-2
• Insured Unemployment and Employment Covered by the UC Fund .....	A-3
• Weekly Benefit Amount and Average Duration .....	A-4
• Hawaii Unemployment Compensation Fund .....	A-5
• Ratio of Current to Adequate Reserve Fund .....	A-6
• Unemployment Insurance Tax Rates .....	A-7
• Total and Taxable Wages .....	A-8
• Charged and Noncharged Benefits .....	A-9
C   Benefits Not Charged to Employer Accounts .....	A-10
D   The Hawaii Unemployment Compensation Fund and Economic Conditions: 1970 to the Present .....	A-11



## EXECUTIVE SUMMARY

### Highlights

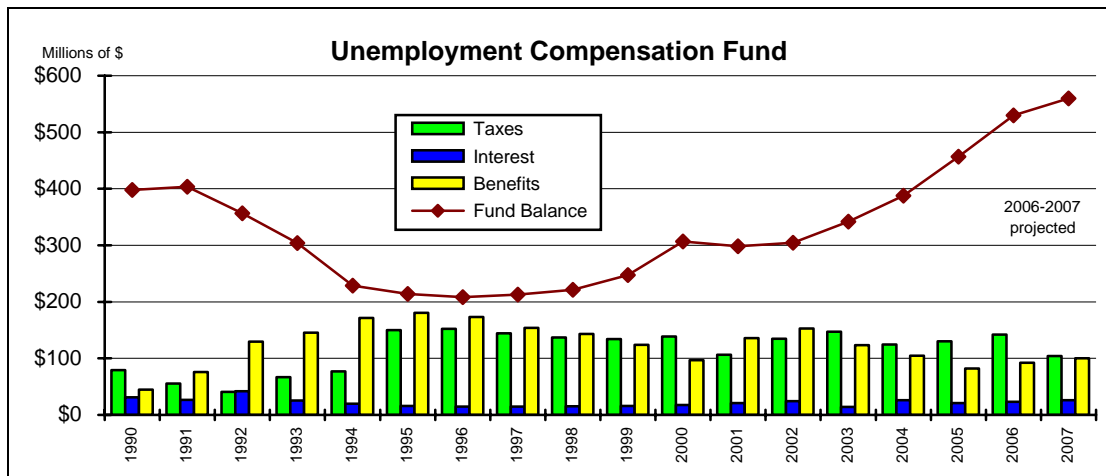
	2005	2006	2007
<b>Unemployment Compensation Fund</b>			
Contributions	\$130 million	\$142 million*	\$104 million*
Interest	\$21 million	\$23 million*	\$26 million*
Benefits	\$82 million	\$92 million*	\$100 million*
Fund Balance (end of year)	\$457 million	\$530 million*	\$560 million*
<b>Unemployment Rates</b>			
Hawaii Insured Unemployment Rate	1.2%	1.2%*	1.2%*
Hawaii Total Unemployment Rate	2.8%	2.7%*	2.8%*
U.S. Total Unemployment Rate	5.1%	4.7%*	4.8%*
<b>Taxable Wage Base</b>	\$32,300	\$34,000	\$35,300
<b>Tax Schedule</b>	Schedule C	Schedule C	Schedule B
<b>Tax Rates</b>			
Minimum	0.0%	0.0%	0.0%
Maximum	5.4%	5.4%	5.4%
Average			
% of Taxable Wages	1.2%	1.2%*	0.8%*
% of Total Wages	0.8%	0.8%*	0.6%*
<b>Weekly Benefit Amount</b>			
Minimum	\$5	\$5	\$5
Maximum	\$436	\$459	\$475
Average	\$328	\$355*	
<b>Average Benefit Duration</b>	14.2 weeks	13.3 weeks*	

\* estimated

### Status of the Fund

The Hawaii Unemployment Compensation Fund *balance was \$533 million at the end of November 2006*. During the first eleven months of 2006, \$142 million in taxes and \$17 million in interest were added to the Fund. At the same time, \$84 million in benefits were paid out from the Fund. As of November, the fund balance is at 131% of the adequate level. This amount would finance two years of unemployment at the worst level experienced during the last ten years.

*The fund balance at the end of 2006 is projected to be \$530 million. Assuming the year 2007 insured unemployment rate averages about 1.15%, or about 6,700 claims per week, the fund balance would be \$560 million at the end of 2007. The November 2007 balance would be about 150% of the adequate reserve amount and Schedule B would be in effect for 2008.*

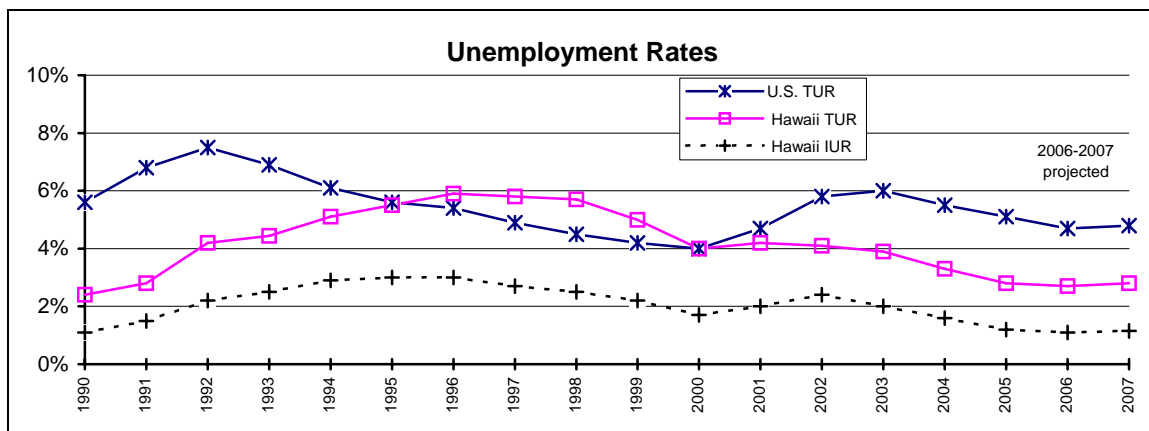


## Economic Factors

The national unadjusted total unemployment rate (TUR) stood at 4.1% as of October 2006, decreasing slightly from the October 2005 rate of 4.6%. Hawaii's unadjusted total unemployment rate (TUR) dropped to 2.0% in October 2006 as compared to 2.7% in October 2005. Hawaii's total nonagricultural wage and salary job count is growing, averaging 622,150 as of October 2006. This is an increase of 12,650 jobs over the October 2005 count of 609,200.

The insured unemployment rate (IUR), a measure of the unemployed covered by Hawaii's unemployment compensation program, is used to project outgo from the Unemployment Compensation Fund. The IUR averaged 1.15% in 2005. It is at 1.04% as of November 2006.

*Projections in this report assume national and Hawaii labor force numbers reflecting continuing favorable conditions. Trust fund estimates are based on an insured unemployment rate (IUR) of 1.1% in 2006 and 1.15% in 2007.*



## 2007 Tax Schedule and Taxable Wage Base

Tax schedule B will be in effect for the calendar year 2007. Tax rates will range from 0.0% to 5.4%. The average tax rate is estimated to be 0.8%. The taxable wage base (maximum annual wages taxable per employee) will increase by \$1,300 to \$35,300 in 2007, from \$34,000 in 2006.

## BACKGROUND INFORMATION

### Purpose of Report

This report is produced to meet the requirements of section 383–126.5, Hawaii Revised Statutes, which calls for an *annual evaluation of the adequacy of the Hawaii Unemployment Compensation Fund balance*, taking into account conditions in the State and national economic trends. The report is due to the Legislature no later than 20 days prior to the convening of the regular session.

### Fund Definition and Requirements

**Establishment of Fund in Hawaii state law.** The Hawaii Employment Security Law (Hawaii Revised Statutes, chapter 383) establishes the Unemployment Compensation Fund under the administration of the Department of Labor and Industrial Relations. Unemployment insurance contributions (taxes) are collected from employers and deposited into this fund. Interest earned on the fund balance is also credited to the fund. The fund can be used *only* to pay unemployment insurance benefits or refunds of overpaid contributions.

**Federal requirements.** Both state and federal laws govern the unemployment insurance program. The Federal Unemployment Tax Act (FUTA), which is part of the U.S. Internal Revenue Code, provides for a federal payroll tax—currently 6.2% of the first \$7,000 in wages per year per employee. Employers receive a tax credit of 5.4% against the Federal tax (resulting in a net tax rate of 0.8%) if their state's law meets all the requirements in the federal laws. The federal tax pays for state and federal administration costs, the federal share of extended benefits, and a loan fund for states that deplete their unemployment funds.

The Social Security Act also contains many requirements relating to the unemployment insurance program.

Three important trust fund related federal requirements are as follows.

- All state unemployment compensation funds must be maintained in the U.S. Treasury as part of the federal Unemployment Trust Fund. Each state has an account in the Trust Fund and interest is paid quarterly to the account by the federal government.
- The Trust Fund can be used essentially only for the payment of unemployment benefits.
- Employers receive the full 5.4% federal tax credit only if the state's system for determining individual employer tax rates meets federal standards. For example, the state's maximum tax rate must be at least 5.4% and an employer's tax rate may be reduced from the maximum, but the reduction must be based on that employer's experience with unemployment (experience rating).

Nonconformity to federal standards can result in:

- denial of all credit against the federal tax (employer's federal tax would be the full 6.2% on the \$7,000 wage base);
- denial of additional credit (employer's federal tax would be the difference of the full federal tax minus their state taxes paid); and/or
- denial of administration grants to run the state program.

To insure that Hawaii employers continue to receive full federal unemployment tax credits, and funding for the state program is not lost, federal standards must be considered in developing laws affecting Hawaii's Unemployment Compensation Fund.

## STATUS OF THE UNEMPLOYMENT COMPENSATION FUND

### Status of the Fund

(Historical data from 1970: Appendix B, page A-5)

The fund balance was \$533 million at the end of November 2006 compared to \$457 million at the end of 2005. During the first eleven months of 2006, \$142 million in taxes and \$17 million in interest were added to the Fund. At the same time, \$84 million in benefits were paid out from the Fund.

*Projections through 2007: For this report the insured unemployment rate is projected to average 1.1% in 2006 and 1.15% in 2007. This would result in a benefit outgo of about \$100 million in 2007. Taxes and interest are projected at about \$130 million in 2007. On the basis of this forecasted level of unemployment, the fund balance would be at about \$560 million by the end of 2007. At this level, Tax schedule B would continue to be in effect for 2008.*

### HAWAII UNEMPLOYMENT COMPENSATION FUND

(in millions of \$)

Year	Taxes*	Interest	Benefits	Fund Balance
2004	\$124.6	\$26.0	\$104.7	\$388.0
2005	\$130.2	\$21.4	\$82.3	\$457.2
2006				
Jan	\$7.5	\$0.0	\$7.7	\$457.1
Feb	\$16.6	\$0.0	\$6.7	\$466.9
Mar	\$0.2	\$5.0	\$7.8	\$464.3
Apr	\$10.9	\$0.0	\$8.0	\$467.7
May	\$34.9	\$0.0	\$8.2	\$494.4
Jun	\$0.2	\$5.7	\$7.3	\$492.9
Jul	\$11.3	\$0.0	\$8.4	\$495.8
Aug	\$28.7	\$0.0	\$7.1	\$517.5
Sep	\$0.3	\$0.0	\$6.6	\$511.1
Oct	\$10.5	\$6.0	\$8.2	\$519.4
Nov	\$21.0	\$0.0	\$7.5	\$532.9
<i>Projected</i>				
2006	\$142	\$23	\$92	\$530
2007	\$104	\$26	\$100	\$560

### Fund Solvency

(Historical data from 1970: Appendix B, page A-6)

The Hawaii Employment Security Law defines the factors used to measure the adequacy of the Fund and how the tax rate schedule for the coming year is determined based on that adequacy level. Appendix A outlines the method for determining the tax schedule and how each employer's individual tax rate is computed based on the employer's benefit and contribution experience as well as the schedule in effect.

On page A-6, Appendix B, the table entitled *Ratio of Current to Adequate Reserve Fund* shows the data used in tax schedule computations since 1970. The *adequate reserve fund* is basically the amount of benefits that would be paid out during one and a half years of unemployment at the highest level experienced during the most recent ten years. For the 2007 tax schedule computation, the adequate amount is \$407,263,847. The current reserve fund (actual fund assets as of November 30, 2006) is \$532,892,238. The current reserve is 131% of the adequate reserve. Based on this computation, Schedule B will be in effect for 2007.



## **Tax Rates**

*(Historical data from 1970: Appendix B, page A-7)*

One of eight tax schedules, A through H, is in effect for a calendar year as explained in Appendix A. Schedule A has the lowest tax rates, while schedule H has the highest. The average tax rate attainable from a particular tax schedule depends on the distribution of employers by reserve ratio groups. Employers tend to move to higher reserve ratio groups during periods when contributions exceed benefits. Thus more employers move into the lower tax rate groups and the average tax rate for a schedule decreases. Minimum, maximum, and average tax rates are shown on page A-7, Appendix B. Taxes are estimated to average about 0.8% of taxable wages during calendar year 2007 with Schedule B in effect.

## **Taxable Wage Base**

*(Historical data from 1970: Appendix B, page A-8)*

There is a maximum limit on the amount of taxable annual wages per employee for unemployment insurance tax purposes. The law sets this amount, the *taxable wage base*, at 100% of the statewide average annual wage. The wage base is \$34,000 for 2006. For 2007 it will be \$35,300. Setting the wage base at the average annual wage results in approximately 70% of all wages being subject to unemployment insurance taxes. The *Total and Taxable Wages* table on page A-8, Appendix B shows the taxable wage bases and the proportions of wages taxed since 1970.

The current tax schedule system was designed to work with the currently defined taxable wage base. If the wage base is lowered, the tax schedules will produce lower levels of income than they were designed to produce.

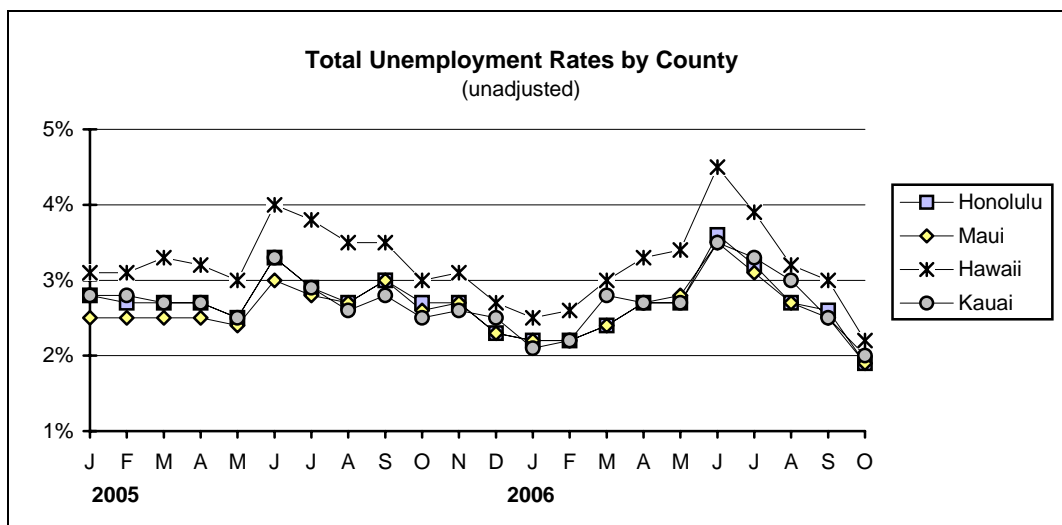
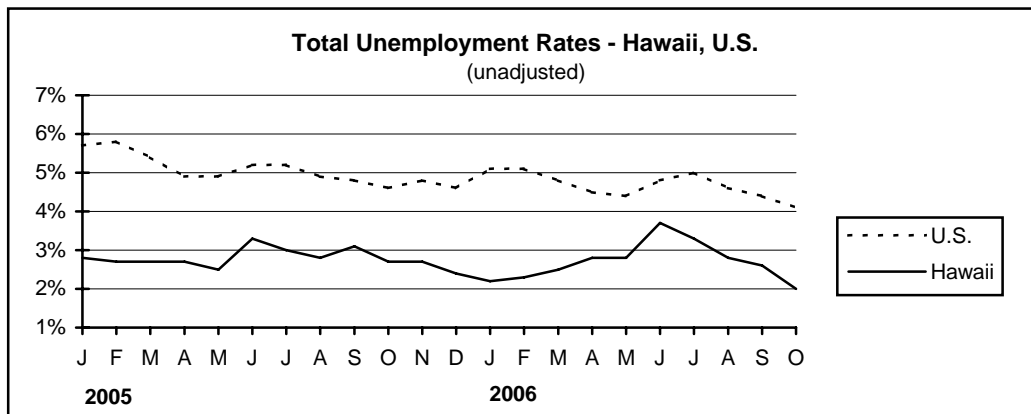
## ECONOMIC FACTORS

### General Conditions and Outlook

Hawaii's economy continues to compare favorably to the national economy. The state's unadjusted unemployment rate improved to 2.0% as of October 2006, down 0.7 percentage points from 2.7% in October 2005. As of October 2006, the U.S. unadjusted unemployment rate stood at 4.1%, a decrease of 0.5 percentage points from the October 2005 jobless rate of 4.6%. As shown in the chart below, unemployment rates for Honolulu, Maui and Kauai counties are converging, and fluctuating mostly between 2% to 3%. Unemployment in Hawaii County remains slightly above the other counties. From January through October 2006, statewide unemployment rates averaged around the same level as during the same period in 2005.

Job counts in Hawaii continue to grow. The total nonagricultural wage and salary job count as of October 2006 was 622,150. This is a 2.1% increase or 12,950 more than the 609,200 count as of October 2005. All of the major industry sectors reflected increases in jobs when comparing October 2006 to October 2005. The professional and business services sector had the largest percent increase at 5.6% and the largest job count increase at 3,900. The trade, transportation and utilities sector had the second largest increase in jobs at 2,600, and the government sector contributed the third largest job increase at 2,200.

**Outlook:** This report assumes stable and continued favorable economic conditions for Hawaii through 2007.



## Labor Force Data

(Historical data from 1970: Appendix B, page A-2)

Employment in Hawaii continued to grow through 2006, averaging 632,400 for the first ten months of 2006 compared to an annual average of 616,850 for calendar year 2005. Unemployment has declined from an average of 17,750 in 2005 to an average of 17,500 for the January through October 2006 period.

Hawaii's total unemployment rate (TUR) averaged 2.7% over the first ten months of 2006, staying about level with the 2.8% average for 2005.

The total unemployment rate for the U.S. averaged 5.1% in 2005. It has improved to an average of 4.7% for the first ten months of 2006.

*Projections for this publication assume the U.S. total unemployment rate will average 4.7% in 2006 and 4.8% in 2007, and Hawaii's TUR will average 2.7% in 2006 and 2.8% in 2007.*

### LABOR FORCE DATA

Unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i> Total Unemployment Rate
	Employment	Unemployment	Total Unemployment Rate	
2004	598,900	20,250	3.3%	5.5%
2005	616,850	17,750	2.8%	5.1%
2006				
Jan	631,450	14,450	2.2%	5.1%
Feb	630,200	14,600	2.3%	5.1%
Mar	629,600	15,850	2.5%	4.8%
Apr	628,700	17,800	2.8%	4.5%
May	624,600	18,150	2.8%	4.4%
Jun	630,500	24,450	3.7%	4.8%
Jul	637,750	21,650	3.3%	5.0%
Aug	633,200	18,300	2.8%	4.6%
Sep	636,900	17,050	2.6%	4.4%
Oct	640,650	12,900	2.0%	4.1%
<i>Projected</i>				
2006			2.7%	4.7%
2007			2.8%	4.8%

## Insured Unemployment and Employment Covered by the Unemployment Compensation Fund

(Historical data from 1970: Appendix B, page A-3)

The average monthly number of employees covered by the Fund was 452,366 in 2005, increasing from 435,079 in 2004. Covered employees have increased to an average of 460,700 during the first half of 2006.

The insured unemployment rate (IUR) is average weekly unemployment insurance claims as a percent of covered employees. The IUR was 1.04% as of November 2006, compared to the 2005 average of 1.2%. The average weekly number of claims filed under the regular state program was 6,260 in 2005. The number of weekly claims is at about 6,000 as of November 2006.

Projections for the IUR: average of 1.1% for 2006 and 1.15% in 2007.

### INSURED UNEMPLOYMENT RATE AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered By the Fund
	Rate (IUR)	Average Weekly Claims*	
2004	1.6%	8,202	435,079
2005	1.2%	6,260	452,366
2006			
Jan	1.01%	5,704	455,218
Feb	1.04%	5,873	458,081
Mar	1.08%	6,109	460,932
Apr	1.14%	6,472	459,314
May	1.14%	6,518	462,592
Jun	1.14%	6,494	467,911
Jul	1.10%	6,314	
Aug	1.10%	6,343	
Sep	1.07%	6,155	
Oct	1.04%	6,011	
Nov	1.04%	5,985	
Projected			
2006	1.1%	6,300	
2007	1.15%	6,700	

\*Monthly data are for the week containing the 12<sup>th</sup> of the month and are based on 13 week moving averages.

## **Weekly Benefit Amounts and Average Duration**

*(Historical data from 1970: Appendix B, page A-4)*

The *maximum weekly benefit amount* payable to claimants *will rise to \$475 for the year 2007*—a \$16 increase from the \$459 maximum in 2006. Under Hawaii's law a new maximum weekly benefit amount is computed each year as 70% of the current statewide average weekly wage. Prior to 1992, the computation used 2/3 rather than 70%.

*Average weekly benefits* received by claimants increased to an average of \$353 for the 12-month period ending October 2006 as compared to an average of \$328 for calendar year 2005. A weekly benefit amount is computed for each claimant based on prior earnings. Average weekly benefits usually increase when earnings do over time. Benefits may also increase rapidly when workers with higher wages experience more unemployment, and decrease when lower wage claimants represent a larger proportion of the unemployed.

Claimants may receive up to the equivalent of 26 weeks of regular benefits at their computed weekly benefit amount. However many return to work before collecting this entire amount. The *average number of weeks of regular benefits* received per claimant was 13.3 weeks for the twelve-month period ending October 2006. This is a decline of 0.9 weeks from the 2005 annual average of 14.2 weeks.

## EXPERIENCE RATING

### Description

Experience rating means that each employer's unemployment insurance tax rate is based on the employer's own benefit, contribution, and wage history. For each employer an account is kept of the amount of benefits paid to former employees and the amount of taxes paid into the Unemployment Compensation Fund. At the end of the year, a *reserve ratio* is computed for each employer and that reserve ratio determines the employer's tax rate for the coming year. Appendix A describes this procedure.

### Charged and Noncharged Benefits

*(Historical data from 1970: Appendix B, page A-9)*

For experience rating purposes benefits paid to former employees are usually charged to the employers' individual accounts. However, under certain conditions where the employer may be considered not responsible for the claimant's unemployment, the benefits paid to that former employee is *not* charged to the employer's account. The conditions for noncharging are described in Appendix C. In 2005, 18% of all benefits paid were not charged to an individual employer account. Noncharged benefits are financed by Unemployment Compensation Fund interest income or by employers as a whole by triggering a higher tax schedule due to a lower fund balance.

### 2005 Employer Data

The following tables show 2005 employment, wage, benefit, and contribution data for employers who contribute to the Unemployment Compensation Fund and for whom a tax rate was computed for calendar year 2006. Information on employers who were covered under the Hawaii unemployment insurance program during 2005, but were no longer covered as of January 1, 2006, are not included in these tables. Data are shown by reserve ratio, county, size of firm, and industry groups. The reserve ratio tables show 2005 data by reserve ratios as of the end of 2005. Also shown on those tables are the 2006 tax rates assigned to each reserve ratio group.

Ten percent of all employers were in the highest reserve ratio group, with ratios of 0.1500 and higher. These employers were assigned the minimum 0.0% tax rate for 2006. Seven percent of the employers were assigned the maximum 5.4% tax rate, mostly due to delinquent filing of tax reports.

## Employer Data

### 2005 Employment and Wage Data by Reserve Ratio

Reserve Ratio <i>End of 2005</i>	2006 Tax Rate	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
.1500 and over	0.0%	3,142	10	18,764	4	679,604	4	422,146	4
.1400 to .1499	0.1%	816	3	14,662	3	480,225	3	306,684	3
.1300 to .1399	0.2%	1,338	4	22,510	5	865,051	6	520,182	5
.1200 to .1299	0.4%	1,868	6	35,894	8	1,092,530	7	755,344	7
.1100 to .1199	0.6%	1,812	6	47,236	11	1,704,733	11	1,126,065	11
.1000 to .1099	0.8%	1,890	6	55,905	13	1,855,127	12	1,320,691	13
.0900 to .0999	1.0%	1,813	6	53,708	12	1,829,941	12	1,280,141	12
.0800 to .0899	1.2%	1,774	6	32,841	7	1,035,410	7	728,123	7
.0700 to .0799	1.4%	3,354	11	43,605	10	1,433,428	9	979,525	9
.0600 to .0699	1.6%	2,117	7	30,495	7	1,039,025	7	704,142	7
.0500 to .0599	1.8%	947	3	19,996	4	705,700	5	472,021	5
.0300 to .0499	2.0%	741	2	19,048	4	619,945	4	447,855	4
.0000 to .0299	2.4%	603	2	10,625	2	393,200	3	272,854	3
-.0000 to -.0499	2.8%	483	2	6,987	2	286,430	2	189,658	2
-.0500 to -.0999	3.2%	275	1	4,215	1	192,127	1	123,949	1
-.1000 to -.4999	3.6%	695	2	9,361	2	488,090	3	298,234	3
-.5000 to -.9999	4.2%	193	1	1,922	0	87,737	1	59,115	1
-1.0000 to -1.4999	4.8%	69	0	895	0	50,293	0	30,797	0
-1.5000 to -1.9999	5.4%	33	0	418	0	17,479	0	10,806	0
-2.0000 and less	5.4%	74	0	141	0	5,426	0	3,932	0
New & Reactive	2.4%	4,522	15	10,618	2	320,343	2	245,307	2
N&R Neg Reserve	5.4%	153	1	231	0	8,811	0	7,471	0
Delinquent	5.4%	1,855	6	5,361	1	128,999	1	115,455	1
Total		30,567	100	445,438	100	15,319,651	100	10,420,498	100

Employment, wages, and percentages may not add to totals due to rounding.

### 2005 Benefit and Contribution Data by Reserve Ratio

Reserve Ratio End of 2005	2006 Tax Rate	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
.1500 and over	0.0%	936	343	1,279	2	0.3	647	0	0.2
.1400 to .1499	0.1%	415	165	581	1	0.2	536	0	0.2
.1300 to .1399	0.2%	559	463	1,021	1	0.2	1,681	1	0.3
.1200 to .1299	0.4%	857	740	1,597	2	0.2	3,325	3	0.4
.1100 to .1199	0.6%	1,569	975	2,544	3	0.2	6,729	5	0.6
.1000 to .1099	0.8%	2,809	1,367	4,177	6	0.3	10,247	8	0.8
.0900 to .0999	1.0%	2,980	1,251	4,231	6	0.3	13,115	10	1.0
.0800 to .0899	1.2%	1,995	1,090	3,084	4	0.4	9,021	7	1.2
.0700 to .0799	1.4%	3,010	1,356	4,367	6	0.4	16,465	13	1.7
.0600 to .0699	1.6%	2,574	1,310	3,884	5	0.6	12,285	9	1.7
.0500 to .0599	1.8%	2,592	1,143	3,735	5	0.8	8,642	7	1.8
.0300 to .0499	2.0%	4,862	1,154	6,016	8	1.3	9,485	7	2.1
.0000 to .0299	2.4%	5,414	638	6,053	8	2.2	6,214	5	2.3
-.0000 to -.0499	2.8%	5,240	658	5,898	8	3.1	5,253	4	2.8
-.0500 to -.0999	3.2%	4,377	226	4,603	6	3.7	4,095	3	3.3
-.1000 to -.4999	3.6%	12,705	530	13,235	18	4.4	10,641	8	3.6
-.5000 to -.9999	4.2%	2,918	105	3,023	4	5.1	2,541	2	4.3
-1.0000 to -1.4999	4.8%	1,451	82	1,532	2	5.0	1,493	1	4.8
-1.5000 to -1.9999	5.4%	627	9	636	1	5.9	566	0	5.2
-2.0000 and less	5.4%	529	18	547	1	13.9	194	0	4.9
New & Reactive	2.4%	107	53	160	0	0.1	5,972	5	2.4
N&R Neg Reserve	5.4%	207	24	231	0	3.1	291	0	3.9
Delinquent	5.4%	1,251	207	1,458	2	1.3	1,290	1	1.1
Total		59,983	13,906	73,889	100	0.7	130,726	100	1.3

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line  
Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line



### 2005 Employment and Wage Data by County

County	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Oahu	17,805	58	238,133	53	8,170,746	53	5,440,838	52
Maui	3,807	12	42,006	9	1,352,802	9	991,944	10
Hawaii	3,798	12	39,760	9	1,269,278	8	944,941	9
Kauai	1,542	5	18,701	4	542,768	4	405,364	4
Interstate	3,615	12	106,838	24	3,984,058	26	2,637,410	25
Total	30,567	100	445,438	100	15,319,651	100	10,420,498	100

Employment, wages, and percentages may not add to totals due to rounding.

### 2005 Benefit and Contribution Data by County

County	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Oahu	30,646	6,674	37,319	50	0.7	65,808	50	1.2
Maui	4,990	1,557	6,547	9	0.7	13,205	10	1.3
Hawaii	6,587	1,458	8,044	11	0.9	13,231	10	1.4
Kauai	3,445	520	3,965	5	1.0	6,272	5	1.5
Interstate	14,315	3,698	18,013	24	0.7	32,211	25	1.2
Total	59,983	13,906	73,889	100	0.7	130,726	100	1.3

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line  
Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

### 2005 Employment and Wage Data by Size of Firm

Employment Size	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Less than 5	19,136	63	32,313	7	1,185,274	8	778,149	7
5 to 9	4,863	16	34,117	8	1,106,708	7	745,084	7
10 to 19	3,069	10	42,558	10	1,424,791	9	945,582	9
20 to 49	2,049	7	62,832	14	2,165,913	14	1,438,603	14
50 to 99	778	3	53,972	12	1,953,037	13	1,289,439	12
100 to 249	458	1	68,728	15	2,373,373	15	1,640,644	16
250 or more	214	1	150,918	34	5,110,557	33	3,582,997	34
Total	30,567	100	445,438	100	15,319,651	100	10,420,498	100

Employment, wages, and percentages may not add to totals due to rounding.

### 2005 Benefit and Contribution Data by Size of Firm

Employment Size	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Less than 5	6,085	753	6,838	9	0.9	10,714	8	1.4
5 to 9	4,882	1,020	5,902	8	0.8	10,138	8	1.4
10 to 19	7,121	1,428	8,549	12	0.9	12,928	10	1.4
20 to 49	9,974	2,212	12,186	16	0.8	20,850	16	1.4
50 to 99	7,322	2,011	9,333	13	0.7	17,460	13	1.4
100 to 249	11,505	2,419	13,924	19	0.8	22,229	17	1.4
250 or more	13,094	4,063	17,157	23	0.5	36,407	28	1.0
Total	59,983	13,906	73,889	100	0.7	130,726	100	1.3

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line  
Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

## 2005 Employment and Wage Data by NAICS Industry

Industry	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Natural Resources & Mining	428	1	8,281	2	245,363	2	192,154	2
Utilities	32	0	2,871	1	207,469	1	94,046	1
Construction	3,018	10	33,163	7	1,809,560	12	1,091,184	10
Manufacturing	1,032	3	14,770	3	512,243	3	353,488	3
Wholesale Trade	1,931	6	17,077	4	731,491	5	458,767	4
Retail Trade	3,344	11	71,482	16	1,886,744	12	1,444,973	14
Transportation & Warehousing	769	3	26,562	6	997,153	7	685,508	7
Information	505	2	10,406	2	505,437	3	295,512	3
Finance & Insurance	1,093	4	18,855	4	1,059,537	7	563,401	5
Real Estate, Rental & Leasing	1,693	6	12,470	3	483,768	3	314,426	3
Professional, Scientific, & Technical Services	3,551	12	20,903	5	1,183,398	8	614,623	6
Management of Companies & Enterprises	200	1	1,046	0	105,400	1	35,318	0
Administrative & Support; Waste Management & Remediation Services	1,989	7	42,726	10	1,119,281	7	903,189	9
Educational Services	490	2	6,047	1	155,422	1	124,140	1
Health Care & Social Assistance	2,727	9	34,331	8	1,310,827	9	777,420	7
Arts, Entertainment & Recreation	460	2	9,653	2	220,716	1	180,398	2
Accommodation & Food Services	2,720	9	92,822	21	2,222,927	15	1,838,470	18
Other Services (except Public Administration)	3,305	11	21,644	5	548,840	4	443,759	4
Unknown	1,280	4	330	0	14,075	0	9,722	0
Total	30,567	100	445,438	100	15,319,651	100	10,420,498	100

Employment, wages, and percentages may not add to totals due to rounding.

## 2005 Benefit and Contribution Data by NAICS Industry

Industry	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Natural Resources & Mining	2,793	185	2,979	4	1.6	3,262	2	1.7
Utilities	22	4	27	0	0.0	288	0	0.3
Construction	20,300	1,993	22,293	30	2.0	29,369	22	2.7
Manufacturing	2,459	439	2,898	4	0.8	3,970	3	1.1
Wholesale Trade	1,426	451	1,877	3	0.4	4,532	3	1.0
Retail Trade	3,501	1,661	5,162	7	0.4	12,881	10	0.9
Transportation & Warehousing	2,824	1,262	4,086	6	0.6	7,542	6	1.1
Information	4,021	404	4,425	6	1.5	3,462	3	1.2
Finance & Insurance	1,435	506	1,941	3	0.3	4,486	3	0.8
Real Estate, Rental & Leasing	1,204	494	1,698	2	0.5	3,839	3	1.2
Professional, Scientific, & Technical Services	2,993	593	3,586	5	0.6	7,357	6	1.2
Management of Companies & Enterprises	226	20	246	0	0.7	495	0	1.4
Administrative & Support; Waste Management & Remediation Services	5,852	2,075	7,927	11	0.9	13,725	10	1.5
Educational Services	486	95	581	1	0.5	1,280	1	1.0
Health Care & Social Assistance	2,452	988	3,440	5	0.4	8,172	6	1.1
Arts, Entertainment & Recreation	940	227	1,167	2	0.6	1,936	1	1.1
Accommodation & Food Services	4,748	1,946	6,695	9	0.4	19,080	15	1.0
Other Services (except Public Administration)	2,269	560	2,829	4	0.6	4,853	4	1.1
Unknown	32	1	33	0	0.3	200	0	2.1
Total	59,983	13,906	73,889	100	0.7	130,726	100	1.3

Benefits, contributions, and percentages may not add to totals due to rounding.

\* Cost Rate: Total Benefits divided by Taxable Wages; average for all employers is indicated on total line

Tax Rate: Contributions divided by Taxable Wages; average for all employers is indicated on total line

## APPENDIX A

### Computation of Employer Contribution Rates

An employer's Hawaii unemployment insurance tax rate is computed once a year based on the employer's reserve ratio and the tax schedule (one of eight possible schedules, A through H) in effect for the year. The tax rates corresponding to each tax schedule and reserve ratio group are shown below in the **Contribution Rate Schedules** table.

Employers not chargeable with benefits for the 12-month period prior to the rate computation date are ineligible for an experience (reserve ratio) computation and are assigned the tax rate corresponding to a zero reserve ratio; if the ineligible employer has a negative reserve balance, a rate of 5.4% is assigned.

#### Computation of Employer Reserve Ratio:

Reserve Ratio = all contributions paid by the employer minus all benefits charged to the employer, divided by 1/3 of the sum of the employer's taxable payrolls for the last 3 consecutive calendar years.

#### Determination of Tax Schedule:

##### (a) Compute Adequate Reserve:

Adequate Reserve = 1.5 times highest benefit cost rate occurring during the last 10 years, times total wages for last completed fiscal year ending June 30.

Benefit cost rate = total benefits paid during a 12 consecutive month period, divided by total wages for the last 4 completed calendar quarters ending at least 5 months before the end of the 12 consecutive month period.

##### (b) Compute ratio of Current Reserve to Adequate Reserve:

Ratio = Current Reserve (Unemployment Compensation Fund balance as of November 30) divided by Adequate Reserve.

##### (c) Determine Tax Schedule based on ratio of current to adequate reserve as shown below.

Contribution Rate Schedules									Tax Schedule Computation	
Reserve Ratio	A	B	C	D	E	F	G	H	Ratio of Current to Adequate Reserve	Tax Schedule
.1500 and over	0.0	0.0	0.0	0.2	0.6	1.2	1.8	2.4	More than 1.69	A
.1400 to .1499	0.0	0.0	0.1	0.4	0.8	1.4	2.0	2.6	1.3 to 1.69	B
.1300 to .1399	0.0	0.0	0.2	0.6	1.0	1.6	2.2	2.8	1.0 to 1.29	C
.1200 to .1299	0.0	0.1	0.4	0.8	1.2	1.8	2.4	3.0	0.80 to 0.99	D
.1100 to .1199	0.0	0.2	0.6	1.0	1.4	2.0	2.6	3.2	0.60 to 0.79	E
.1000 to .1099	0.1	0.3	0.8	1.2	1.6	2.2	2.8	3.4	0.40 to 0.59	F
.0900 to .0999	0.3	0.5	1.0	1.4	1.8	2.4	3.0	3.6	0.20 to 0.39	G
.0800 to .0899	0.5	0.7	1.2	1.6	2.0	2.6	3.2	3.8	Less than 0.20	H
.0700 to .0799	0.7	0.9	1.4	1.8	2.2	2.8	3.4	4.0		
.0600 to .0699	0.9	1.1	1.6	2.0	2.4	3.0	3.6	4.2		
.0500 to .0599	1.1	1.3	1.8	2.2	2.6	3.2	3.8	4.4		
.0300 to .0499	1.3	1.5	2.0	2.6	3.0	3.6	4.2	4.8		
.0000 to .0299	1.7	1.9	2.4	3.0	3.4	4.0	4.6	5.2		
-.0000 to -.0499	2.1	2.3	2.8	3.4	3.8	4.4	5.0	5.4		
-.0500 to -.0999	2.5	2.7	3.2	4.0	4.4	5.0	5.4	5.4		
-.1000 to -.4999	2.9	3.1	3.6	4.6	5.0	5.4	5.4	5.4		
-.5000 to -.9999	3.4	3.6	4.2	5.2	5.4	5.4	5.4	5.4		
-1.0000 to -1.4999	4.1	4.2	4.8	5.4	5.4	5.4	5.4	5.4		
-1.5000 to -1.9999	4.7	4.8	5.4	5.4	5.4	5.4	5.4	5.4		
-2.0000 and less	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4		

## APPENDIX B

### Annual Data from 1970

#### LABOR FORCE DATA

unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i> Total Unemployment Rate
	Employment	Unemployment	Total Unemployment Rate	
1970	305,650	15,900	4.9%	4.9%
1971	313,450	23,350	6.9%	5.9%
1972	324,050	26,950	7.7%	5.6%
1973	338,350	26,250	7.2%	4.9%
1974	345,350	29,650	7.9%	5.6%
1975	351,100	31,850	8.3%	8.5%
1976	372,250	38,000	9.3%	7.7%
1977	386,150	32,400	7.7%	7.1%
1978	394,300	28,250	6.7%	6.1%
1979	406,450	24,350	5.7%	5.8%
1980	419,750	21,250	4.8%	7.1%
1981	428,500	23,200	5.1%	7.6%
1982	432,450	27,250	5.9%	9.7%
1983	444,000	27,900	5.9%	9.6%
1984	451,400	25,700	5.4%	7.5%
1985	459,400	24,400	5.0%	7.2%
1986	473,500	22,350	4.5%	7.0%
1987	492,700	18,550	3.6%	6.2%
1988	503,750	15,700	3.0%	5.5%
1989	515,250	12,550	2.4%	5.3%
1990	537,600	13,400	2.4%	5.6%
1991	547,350	15,700	2.8%	6.8%
1992	551,550	24,450	4.2%	7.5%
1993	556,350	25,400	4.4%	6.9%
1994	555,750	30,050	5.1%	6.1%
1995	557,050	32,450	5.5%	5.6%
1996	561,700	35,050	5.9%	5.4%
1997	566,750	34,900	5.8%	4.9%
1998	570,150	34,150	5.7%	4.5%
1999	576,300	30,350	5.0%	4.2%
2000	584,850	24,150	4.0%	4.0%
2001	589,200	26,050	4.2%	4.7%
2002	585,700	24,750	4.1%	5.8%
2003	590,750	23,950	3.9%	6.0%
2004	598,900	20,250	3.3%	5.5%
2005	616,850	17,750	2.8%	5.1%

Source: Hawaii Workforce Informer web page ([www.hiwi.org](http://www.hiwi.org)) Note: Data from 1976 revised in 2005

## APPENDIX B continued

### INSURED UNEMPLOYMENT AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered by the Fund	
	Rate	Average Weekly Claims	Number	% change
1970	2.4%	6,124	221,498	
1971	3.9%	10,789	225,633	2%
1972	4.8%	12,737	231,338	3%
1973	3.7%	10,527	246,201	6%
1974	4.2%	12,443	252,421	3%
1975	5.2%	16,939	255,772	1%
1976	6.3%	19,427	258,485	1%
1977	4.7%	14,998	267,018	3%
1978	3.4%	10,569	285,172	7%
1979	2.7%	9,798	302,404	6%
1980	2.9%	10,740	309,424	2%
1981	3.0%	11,681	311,997	1%
1982	3.5%	13,411	306,395	-2%
1983	3.5%	12,919	309,752	1%
1984	2.9%	11,104	317,669	3%
1985	2.6%	9,696	328,268	3%
1986	2.2%	8,548	337,832	3%
1987	1.7%	7,045	358,801	6%
1988	1.5%	6,452	371,952	4%
1989	1.1%	5,041	393,693	6%
1990	1.1%	5,547	416,341	6%
1991	1.5%	7,909	415,883	0%
1992	2.2%	11,520	415,275	0%
1993	2.5%	12,721	409,338	-1%
1994	2.9%	14,752	406,316	-1%
1995	3.0%	15,324	402,645	-1%
1996	3.0%	14,854	401,001	0%
1997	2.7%	13,356	400,817	0%
1998	2.5%	12,605	398,354	-1%
1999	2.2%	10,684	401,109	1%
2000	1.7%	8,413	414,768	3%
2001	2.0%	11,545	416,770	0%
2002	2.4%	11,979	414,417	-1%
2003	2.0%	10,327	422,293	2%
2004	1.6%	8,202	435,079	3%
2005	1.2%	6,260	452,366	4%

Source: Unemployment Insurance Fact Book

Note: Insured unemployment data includes private industry, state and county governments, and nonprofit organizations; it also includes extended benefits for 1971, 1972, 1975 through 1978, and 1980. Employment data is for private industry only.

## APPENDIX B continued

### WEEKLY BENEFIT AMOUNT AND AVERAGE DURATION

Year	Weekly Benefit Amount		Average Benefit Duration (weeks)
	<i>Maximum</i>	<i>Average</i>	
1970	\$79	\$58	15.0
1971	\$86	\$63	18.3
1972	\$90	\$66	19.9
1973	\$93	\$68	16.0
1974	\$98	\$72	16.2
1975	\$104	\$76	16.4
1976	\$112	\$84	18.9
1977	\$120	\$89	16.4
1978	\$126	\$91	16.2
1979	\$134	\$93	13.5
1980	\$144	\$103	13.7
1981	\$157	\$114	14.2
1982	\$169	\$124	14.8
1983	\$178	\$123	15.8
1984	\$188	\$136	14.8
1985	\$194	\$134	14.6
1986	\$200	\$140	14.3
1987	\$212	\$150	13.4
1988	\$223	\$162	13.5
1989	\$239	\$170	12.0
1990	\$256	\$189	11.4
1991	\$275	\$206	13.0
1992	\$306	\$235	14.8
1993	\$322	\$246	17.6
1994	\$337	\$259	17.4
1995	\$344	\$262	16.0
1996	\$347	\$261	17.8
1997	\$351	\$259	17.1
1998	\$356	\$258	16.4
1999	\$364	\$266	16.5
2000	\$371	\$273	15.4
2001	\$383	\$282	12.8
2002	\$395	\$280	19.2
2003	\$407	\$298	15.7
2004	\$417	\$312	15.6
2005	\$436	\$328	14.2
2006	\$459		
2007	\$475		

Source: Unemployment Insurance Fact Book

Note: Data are for all claim programs, including federal programs.



## APPENDIX B continued

### HAWAII UNEMPLOYMENT COMPENSATION FUND

*(in millions of \$)*

Year	Taxes	Interest	Benefits	Fund Balance
1970	\$13.6	\$ 2.1	\$14.7	\$44.1
1971	\$15.3	\$ 2.1	\$28.3	\$33.3
1972	\$22.0	\$ 1.4	\$30.9	\$25.8
1973	\$24.6	\$ 1.2	\$26.7	\$25.0
1974	\$26.5	\$ 1.1	\$35.3	\$17.3
1975	\$39.4	\$ 0.7	\$52.0	\$ 5.3
1976	\$48.8	\$ 0.1	\$66.1	-\$11.9
1977	\$63.3	\$ 0.0	\$50.2	\$ 1.3
1978	\$73.6	\$ 0.6	\$38.3	\$37.2
1979	\$68.9	\$ 3.3	\$31.4	\$78.0
1980	\$58.2	\$ 7.0	\$42.6	\$100.6
1981	\$53.4	\$ 9.9	\$57.5	\$106.3
1982	\$54.9	\$11.5	\$71.1	\$101.6
1983	\$70.9	\$11.5	\$61.0	\$123.0
1984	\$67.8	\$13.4	\$63.4	\$140.9
1985	\$60.2	\$15.7	\$54.3	\$162.5
1986	\$65.4	\$12.9	\$49.3	\$191.5
1987	\$75.1	\$24.0	\$42.6	\$248.0
1988	\$51.3	\$22.5	\$44.2	\$277.7
1989	\$64.0	\$25.6	\$35.4	\$331.9
1990	\$79.5	\$31.3	\$45.0	\$397.7
1991	\$55.2	\$26.8	\$76.0	\$403.8
1992	\$40.9	\$41.7	\$129.6	\$356.7
1993	\$67.0	\$25.5	\$145.4	\$303.9
1994	\$77.0	\$19.6	\$171.6	\$228.9
1995	\$150.0	\$15.7	\$180.4	\$214.2
1996	\$152.4	\$14.9	\$173.3	\$208.2
1997	\$144.2	\$14.7	\$154.2	\$212.9
1998	\$136.8	\$15.1	\$143.3	\$221.5
1999	\$134.1	\$15.7	\$124.1	\$247.2
2000	\$138.9	\$17.8	\$96.9	\$307.0
2001	\$106.3	\$21.1	\$136.1	\$298.2
2002	\$134.6	\$24.2	\$152.7	\$304.3
2003	\$147.0	\$14.4	\$123.6	\$342.0
2004	\$124.6	\$26.0	\$104.7	\$388.0
2005	\$130.2	\$21.4	\$82.3	\$457.2

Source: ETA2112, UI Financial Transaction Summary, Unemployment Fund

## APPENDIX B continued

### RATIO OF CURRENT TO ADEQUATE RESERVE FUND

Rate Year	High Cost Rate	Total Wages	Adequate Reserve Fund	Current Reserve Fund	Ratio of Current to Adequate Reserve	Rate Schedule in Effect	Fund Solvency Contribution Rate
1970	1.75%	\$1,184,552,472	\$31,094,502	\$43,936,906	1.41	II	
1971	1.75%	\$1,431,300,051	\$37,571,626	\$46,163,790	1.23	II	
1972	1.75%	\$1,560,306,438	\$40,958,044	\$36,349,934	0.89	I	
1973	2.02%	\$1,643,467,385	\$49,797,062	\$28,304,965	0.57	I	
1974	2.02%	\$1,821,684,864	\$55,197,051	\$27,420,364	0.50	I	
1975	2.02%	\$2,015,606,435	\$61,072,875	\$20,073,147	0.33	I	
1976	2.18%	\$2,247,956,108	\$73,508,165	\$10,730,152	0.15	-	
1977	2.86%	\$2,389,822,190	\$102,523,372	-\$7,426,119	-0.07	-	
1978	2.86%	\$2,578,562,218	\$110,620,319	\$5,992,114	0.05	-	
1979	2.86%	\$2,859,429,314	\$81,779,678	\$39,159,914	0.48		+1.6%
1980	2.86%	\$3,314,556,620	\$94,796,319	\$80,341,186	0.85		+0.8%
1981	2.86%	\$3,769,977,490	\$107,821,356	\$104,980,243	0.97		+0.4%
1982	2.86%	\$4,111,362,943	\$117,584,980	\$112,290,817	0.95		+0.4%
1983	2.86%	\$4,292,985,503	\$122,779,385	\$106,708,377	0.87		+0.8%
1984	2.86%	\$4,498,499,775	\$128,657,094	\$127,176,245	0.99		+0.4%
1985	2.86%	\$4,801,506,793	\$137,323,094	\$147,004,681	1.07		0.0%
1986	2.86%	\$5,037,888,349	\$144,083,607	\$166,408,163	1.15		0.0%
1987	2.76%	\$5,500,278,375	\$151,807,683	\$195,095,469	1.29		0.0%
1988	1.94%	\$6,093,516,291	\$118,214,216	\$246,416,114	2.08		-0.5%
1989	1.68%	\$6,864,348,520	\$115,321,055	\$274,840,914	2.38		-0.5%
1990	1.68%	\$7,756,988,055	\$130,317,399	\$334,252,180	2.56		-0.5%
1991	1.68%	\$8,753,700,993	\$147,062,177	\$401,647,674	2.73		-0.5%
1992	1.68%	\$9,561,673,898	\$240,954,182	\$411,119,192	1.71	A	
1993	1.66%	\$9,996,218,073	\$248,905,830	\$370,277,128	1.49	B	
1994	1.49%	\$10,315,548,416	\$230,552,507	\$315,881,780	1.37	B	
1995	1.65%	\$10,384,936,463	\$257,027,177	\$241,892,817	0.94	D	
1996	1.73%	\$10,401,361,958	\$269,915,343	\$226,972,601	0.84	D	
1997	1.78%	\$10,391,160,430	\$277,443,983	\$222,340,367	0.80	D	
1998	1.78%	\$10,554,781,603	\$281,812,669	\$226,036,037	0.80	D	
1999	1.78%	\$10,782,123,532	\$287,882,698	\$233,020,224	0.81	D	
2000	1.78%	\$11,025,705,500	\$294,386,337	\$256,407,449	0.87	D	
2001	1.78%	\$11,661,028,670	\$311,349,465	\$313,480,166	1.01	C	
2002	1.78%	\$12,294,711,901	\$328,268,808	\$317,703,649	0.97	C*	
2003	1.78%	\$12,412,503,464	\$331,413,842	\$309,477,079	0.93	D	
2004	1.78%	\$13,070,239,827	\$348,975,403	\$352,679,746	1.01	C	
2005	1.78%	\$13,820,414,010	\$369,005,054	\$389,302,103	1.06	C	
2006	1.78%	\$15,032,599,530	\$401,370,407	\$457,851,939	1.14	C	
2007	1.67%	\$16,258,037,800	\$407,263,847	\$532,892,238	1.31	B	

*Rate year:* year during which rate schedule or Fund Solvency Rate is in effect.

*High Cost Rate:* highest benefit cost rate (benefits as a percent of total wages) in the last ten years.

*Total Wages:* for last four calendar quarters ending June 30 of calendar year prior to rate year.

*Adequate Reserve Fund:* from 1970 through 1978, and from 1992 adequate reserve equals 1.5 times high cost rate times total wages. From 1979 through 1991, adequate reserve equals high cost rate times total wages.

*Current Reserve Fund:* Unemployment Compensation Fund assets on November 30 of calendar year immediately preceding rate year.

*Rate Schedule in Effect:* Effective July 1, 1974 through March 31, 1975 all employers' tax rates were increased by 0.5%, up to a maximum of 3.0%; from April 1975 through the end of 1976, all employers paid 3.0% tax rate; for 1977 and 1978 all employers paid 3.5% tax rate. \*For 2002, schedule C remained in effect due to special legislation.

## APPENDIX B continued

### UNEMPLOYMENT INSURANCE TAX RATES

Year	Tax Rates (Percent of Taxable Wages)			Taxes as a Percent of Total Wages
	Minimum	Maximum	Average	
1970	0.4%	3.0%	1.2%	0.8%
1971	0.4%	3.0%	1.4%	1.0%
1972	0.8%	3.0%	1.9%	1.3%
1973	0.8%	3.0%	1.8%	1.2%
1974	0.8%/1.3%	3.0%	1.9%	1.2%
1975	1.3%/3.0%	3.0%	2.6%	1.7%
1976	3.0%	3.0%	2.9%	1.9%
1977	3.5%	3.5%	3.5%	2.4%
1978	3.5%	3.5%	3.5%	2.4%
1979	1.8%	4.5%	2.8%	1.9%
1980	1.0%	4.5%	2.1%	1.4%
1981	0.6%	4.5%	1.8%	1.2%
1982	0.6%	4.5%	1.8%	1.3%
1983	1.0%	4.5%	2.3%	1.6%
1984	0.6%	4.5%	1.9%	1.3%
1985	0.2%	5.4%	1.6%	1.1%
1986	0.2%	5.4%	1.7%	1.2%
1987	0.2%	5.4%	1.7%	1.2%
1988	0.0%	5.4%	1.3%	0.6%
1989	0.0%	5.4%	1.3%	0.9%
1990	0.0%	5.4%	1.3%	0.9%
1991	0.0%	5.4%	1.3%	0.5%
1992	0.0%	5.4%	0.6%	0.4%
1993	0.0%	5.4%	1.0%	0.7%
1994	0.0%	5.4%	1.1%	0.8%
1995	0.2%	5.4%	2.2%	1.6%
1996	0.2%	5.4%	2.1%	1.5%
1997	0.2%	5.4%	1.9%	1.4%
1998	0.2%	5.4%	1.8%	1.3%
1999	0.2%	5.4%	1.7%	1.2%
2000	0.2%	5.4%	1.7%	1.2%
2001	0.0%	5.4%	1.1%	0.8%
2002	0.0%	5.4%	1.2%	0.8%
2003	0.2%	5.4%	1.7%	1.2%
2004	0.0%	5.4%	1.2%	0.8%
2005	0.0%	5.4%	1.3%	0.9%
2006	0.0%	5.4%	1.2% <i>est</i>	0.8% <i>est</i>
2007	0.0%	5.4%	0.8% <i>est</i>	0.6% <i>est</i>

Source: Quarterly Covered Employment and Wages

Note for 1974 and 1975: Minimum tax rate was 0.8% until July 1, 1974 then all employers' rates were increased by 0.5%, up to a maximum of 3.0%. The additional 0.5% was in effect until April 1, 1975 when all employers' rates became 3.0%.

Note for 2002: Tax Schedule C remained in effect by special legislation.

## APPENDIX B continued

### TOTAL AND TAXABLE WAGES

Year	Total Wages	% change	Taxable Wages	% change	% Taxable of Total Wages	Taxable Wage Base
1970	\$1,518,727,161		\$1,032,646,028		68%	\$5,500
1971	\$1,588,451,281	5%	\$1,101,177,779	7%	69%	\$6,000
1972	\$1,707,659,488	8%	\$1,171,863,417	6%	69%	\$6,300
1973	\$1,935,415,073	13%	\$1,310,016,575	12%	68%	\$6,500
1974	\$2,129,778,886	10%	\$1,418,777,880	8%	67%	\$6,800
1975	\$2,319,971,771	9%	\$1,537,695,558	8%	66%	\$7,300
1976	\$2,471,414,660	7%	\$1,634,221,510	6%	66%	\$7,800
1977	\$2,669,873,342	8%	\$1,890,965,749	16%	71%	\$9,300
1978	\$3,084,161,546	16%	\$2,153,653,091	14%	70%	\$9,800
1979	\$3,551,357,801	15%	\$2,443,433,910	13%	69%	\$10,400
1980	\$3,934,930,405	11%	\$2,689,241,050	10%	68%	\$11,200
1981	\$4,227,065,294	7%	\$2,921,073,895	9%	69%	\$12,200
1982	\$4,349,032,222	3%	\$3,030,663,748	4%	70%	\$13,100
1983	\$4,599,981,090	6%	\$3,198,088,181	6%	70%	\$13,800
1984	\$4,891,168,412	6%	\$3,430,347,509	7%	70%	\$14,600
1985	\$5,245,375,308	7%	\$3,661,947,705	7%	70%	\$15,100
1986	\$5,686,112,648	8%	\$3,922,702,338	7%	69%	\$15,600
1987	\$6,402,054,956	13%	\$4,391,057,014	12%	69%	\$16,500
1988	\$7,192,157,365	12%	\$3,314,009,708	-25%	46%	\$8,700
1989	\$8,130,492,059	13%	\$5,518,167,643	67%	68%	\$18,600
1990	\$9,237,628,172	14%	\$6,226,942,266	13%	67%	\$19,900
1991	\$9,599,527,870	4%	\$3,342,374,834	-46%	35%	\$7,000
1992	\$10,155,519,160	6%	\$7,042,429,428	111%	69%	\$22,700
1993	\$10,291,898,574	1%	\$7,251,815,678	3%	70%	\$23,900
1994	\$10,309,424,610	0%	\$7,394,972,486	2%	72%	\$25,000
1995	\$10,320,158,899	0%	\$7,411,024,845	0%	72%	\$25,500
1996	\$10,443,561,580	1%	\$7,420,054,226	0%	71%	\$25,800
1997	\$10,675,517,263	2%	\$7,483,098,627	1%	70%	\$26,000
1998	\$10,899,921,524	2%	\$7,560,072,702	1%	69%	\$26,400
1999	\$11,180,959,288	3%	\$7,748,893,876	2%	69%	\$27,000
2000	\$11,945,344,421	7%	\$8,209,730,134	6%	69%	\$27,500
2001	\$12,299,179,723	3%	\$8,455,669,862	3%	69%	\$28,400
2002	\$12,701,746,952	3%	\$8,701,690,997	3%	69%	\$29,300
2003	\$13,376,170,472	5%	\$9,155,378,879	5%	68%	\$30,200
2004	\$14,461,560,596	8%	\$9,752,243,796	7%	67%	\$31,000
2005	\$15,471,398,437	7%	\$10,545,452,082	8%	68%	\$32,300
2006						\$34,000
2007						\$35,300

Source: Wages from ES-202

## APPENDIX B continued

### CHARGED AND NONCHARGED BENEFITS

*(in millions of \$)*

Year	Total Benefits	Charged Benefits	% of Total	Noncharged Benefits	% of Total
1970	\$14.7	\$8.8	60%	\$5.9	40%
1971	\$27.9	\$18.2	65%	\$9.7	35%
1972	\$28.0	\$18.2	65%	\$9.8	35%
1973	\$26.3	\$15.7	60%	\$10.6	40%
1974	\$34.9	\$21.3	61%	\$13.7	39%
1975	\$47.0	\$30.1	64%	\$16.8	36%
1976	\$57.5	\$43.1	75%	\$14.4	25%
1977	\$45.1	\$44.3	98%	\$0.9	2%
1978	\$36.0	\$35.6	99%	\$0.4	1%
1979	\$30.5	\$30.2	99%	\$0.3	1%
1980	\$40.7	\$40.2	99%	\$0.5	1%
1981	\$56.7	\$56.1	99%	\$0.6	1%
1982	\$70.5	\$69.9	99%	\$0.6	1%
1983	\$60.9	\$59.7	98%	\$1.2	2%
1984	\$62.4	\$61.8	99%	\$0.6	1%
1985	\$53.9	\$53.4	99%	\$0.5	1%
1986	\$48.4	\$47.8	99%	\$0.6	1%
1987	\$43.6	\$36.6	84%	\$7.0	16%
1988	\$44.1	\$35.3	80%	\$8.8	20%
1989	\$35.4	\$26.9	76%	\$8.5	24%
1990	\$44.2	\$30.9	70%	\$13.3	30%
1991	\$76.5	\$56.6	74%	\$19.9	26%
1992	\$129.1	\$101.7	79%	\$27.4	21%
1993	\$144.8	\$105.9	73%	\$38.9	27%
1994	\$170.5	\$137.9	81%	\$32.6	19%
1995	\$178.9	\$148.0	83%	\$30.9	17%
1996	\$171.7	\$145.5	85%	\$26.2	15%
1997	\$153.8	\$131.5	85%	\$22.3	15%
1998	\$142.4	\$121.9	86%	\$20.5	14%
1999	\$123.2	\$104.4	85%	\$18.8	15%
2000	\$96.1	\$79.6	83%	\$16.4	17%
2001	\$132.9	\$109.9	83%	\$22.9	17%
2002	\$144.7	\$120.0	83%	\$24.6	17%
2003	\$122.2	\$102.9	84%	\$19.3	16%
2004	\$103.7	\$87.5	84%	\$16.2	16%
2005	\$81.8	\$67.0	82%	\$14.8	18%

Source: ETA-204, Experience Rating Report

Includes regular program benefits only; does not include extended benefits

## **APPENDIX C**

### **Benefits Not Charged to Employer Accounts**

The following types of unemployment insurance benefits are not charged to individual employer's unemployment insurance accounts:

- a. Benefits paid to a claimant based on wages from an employer from whom the claimant voluntarily quit work without good cause<sup>1</sup>;
- b. Benefits paid to a claimant based on wages from an employer from whom the claimant was discharged for misconduct connected with work;
- c. Benefits paid to a claimant based on wages from an employer from whom the claimant left work voluntarily for a good cause that was not attributable to the employer;
- d. Benefits paid to an individual who during that individual's base period earned wages for part-time employment with an employer, are not charged to that employer if the employer continues to employ the individual to the same extent while the individual is receiving benefits as during the individual's base period;
- e. Benefits paid to an individual for the period that individual is enrolled in and is in regular attendance at an approved training course;
- f. One-half of Extended Benefits (the other half of EB is financed with federal unemployment tax funds)<sup>2</sup>;
- g. Benefits paid to an individual who qualifies to receive benefits by meeting the minimum earnings and employment requirements only by combining the individual's employment and wages earned in two or more states<sup>3</sup>;
- h. Benefits overpaid to a claimant as a result of ineligibility or disqualification, unless the overpayment resulted from the employer's failure to furnish information as required;
- i. Benefits paid to an individual based on wages from an employer from whom the individual is separated as a direct result of a major disaster.<sup>4</sup>

---

<sup>1</sup>Benefits described in a, b, and c were chargeable from July 15, 1976 through October 4, 1986.

<sup>2</sup>EB was chargeable from January 1, 1985 through October 4, 1986.

<sup>3</sup>Benefits described in g and h became nonchargeable from July 15, 1976.

<sup>4</sup>Effective from September 13, 1992.

## APPENDIX D

### The Hawaii Unemployment Compensation Fund and Economic Conditions: 1970 to the Present

- 1970** The 1970s began with a low IUR (Insured Unemployment Rate) of slightly above 2% and high fund reserves in excess of \$40 million.
- 1971** Unemployment increased throughout 1971 in the aftermath of the Mainland recession, and due partly to a lengthy dock strike in the second half of the year. The Extended Benefits program was initiated allowing an additional 13 weeks of unemployment insurance benefits to be paid to claimants who exhaust their 26 weeks of regular benefits during periods of high unemployment. Hawaii paid extended benefits from October 1971 through December 1972. Increasing unemployment and additional benefits paid out under the Extended Benefits program caused benefit outgo to increase and the fund balance to decline.
- 1972** The fund continued to decline as additional dock strikes and continuing Extended Benefits payments caused benefit outgo to remain high.
- 1973** Unemployment decreased slightly causing the fund balance to remain relatively level.
- 1974** The IUR began to climb again as Mainland recessionary conditions started affecting Hawaii.
- 1975** Hawaii began a new Extended Benefits period beginning in February 1975 as unemployment continued to increase. This EB period continued until March 1978 (except for a short break in the program during August 1977).
- 1976** The IUR reached a peak of 7% in the first half of 1976. During the 1974 through 1976 period the fund balance was drastically reduced by the unprecedented high level of unemployment and corresponding high benefit outgos. The fund was depleted in 1976. Benefits continued to be paid during the year through the use of \$22.5 million in federal loans to the fund.
- 1977** The economy began to improve slightly, although construction strikes caused unemployment to temporarily increase at the end of 1977 and early 1978. In order to rejuvenate the fund, tax rates, which had been gradually increasing during the 1970s, were set at a uniform rate of 3.5% for 1977.
- 1978** The flat 3.5% tax rate continued to be in effect. As the economy improved, the IUR steadily declined until it leveled off at about 3% during the second half of the year. With the increased income and declining outgo, the fund balance was brought out of its negative levels and the federal loan was repaid late in 1978.
- 1979** Varied tax rates for employers (experience rating) was reinstituted; this caused fund income to decline slightly from the high 1978 level. Benefits remained relatively low, resulting in a further increase in the fund balance to \$78 million by the end of 1979.
- 1980** Employer tax rates were again decreased based on the healthy fund reserves. Although Hawaii's unemployment remained low, an Extended Benefits period was triggered on by high national unemployment. This EB period was from July 1980 to January 1981. Fund income exceeded outgo and reserves reached \$100.6 million by the end of 1980.
- 1981-1984** Unemployment was very stable with the IUR fluctuating only between 2.5% and 3.5%, weathering airline, construction, and other strikes occurring during this time. The fund balance was kept at about the adequate reserve level throughout the period
- 1985** Tax schedules were adjusted to include a maximum tax rate of 5.4% in order to allow employers to continue to receive full tax credits under the Federal Unemployment Tax Act (FUTA).
- 1986-1987** The tourism and construction industries were in a boom period resulting in declining unemployment and a growing fund balance.
- 1988** The high fund balance resulted in the triggering of a negative Fund Solvency Rate for the first time. Also, a one-year special law provision cut the Taxable Wage Base to 50% of the statewide average annual wage.
- 1989** Unemployment continued to decline with the IUR reaching an all time low of 0.96% in December 1989. The fund continued to be more than twice the adequate reserve level allowing the negative 0.5% Fund Solvency Rate to remain in effect.
- 1990** Despite Mainland recessionary conditions, Hawaii tourism and construction continued to do well through 1990. Although a hotel strike during March caused a temporary rise in unemployment, the average IUR for the year remained level with 1989.

## APPENDIX D continued

- 1991** The Persian Gulf War triggered a slowdown in March as tourist traffic declined dramatically and unemployment jumped. Mainland recessionary conditions began affecting Hawaii's economy as unemployment remained high through the year especially in the construction and tourism related industries. A one-year special provision cut the taxable wage base to \$7,000.
- 1992** A new tax schedule system was implemented and the lowest tax schedule (A) was in effect for 1992. Hurricane Iniki hit the islands in September 1992 resulting in major damage and high unemployment on Kauai. Mainland and Japanese recessionary conditions continued to weaken the tourist and construction sectors. The end of year fund balance declined from the previous year for the first time since 1982. Emergency Unemployment Compensation (EUC) benefits were paid to claimants from November 1991 through April 1994. These benefits, paid to claimants who exhausted their regular state benefits, were 100% federally funded.
- 1993-1994** Tax schedule B was in effect for 1993 and 1994, keeping the average unemployment tax rate at a low 1%. At the same time the tourism and construction sectors remained sluggish causing large benefit payouts from the fund.
- 1995-1998** The economy remained flat from 1995 through 1998, with benefit levels declining slightly each year. The fund balance stabilized at around \$210 million and tax schedule D stayed in effect from 1995 through 1998.
- 1999-2000** The economy was on the rise with insured unemployment dropping below 2% and the fund balance reaching \$300 million levels, triggering tax schedule C for 2001.
- 2001-2002** In the aftermath of terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, the number of unemployed increased and the fund balance began to drop. Special legislation provided Hawaii claimants exhausting regular benefits between September 11, 2001 and June 30, 2002 with 13 weeks of additional benefits and kept tax schedule C in effect for calendar year 2002. A special federally funded program, Temporary Extended Unemployment Compensation (TEUC) also provided an additional 13 weeks of benefits to claimants, effective from March 10 to December 31, 2002.
- 2003-2004** The federal TEUC program was extended to December 31, 2003 with a transition period for the continuation of payments to individuals, who have balances as of the end of December, to March 31, 2004. Effective from April 20, 2003 through December 28, 2003, displaced airline and related workers who exhaust their 26 weeks of regular benefits may receive up to 39 weeks of additional federally funded TEUC-A benefits. Throughout 2004, Hawaii's unemployment dropped significantly resulting in a growing trust fund.
- 2005-2006** Tourism, construction and real estate contributed to a very healthy economy where the insured unemployment rate dropped to 1.0% by the last quarter of 2005. The fund balance grew to more than \$500 million by November 2006 triggering a decrease in tax rates to Tax Schedule B for calendar year 2007.